

TVA Office of the Inspector General

October 1, 2004 ~ March 31, 2005



Workers' Compensation Investigations Continue to Save TVA Money

Pages 19-21

TVA spent over \$61 million on workers' compensation benefits during FY 2004. Because of the costs to TVA, we actively pursued possible fraud in this area. Our efforts during this reporting period resulted in an estimated long-term savings to TVA of over \$1 million. Results included one conviction, one case where benefits were stopped after we pointed out the individual had reported earnings which showed he was no longer eligible, and a declared forfeiture.



Health Care Fraud Award

Pages 21-22

The OIG participated with the Health Care Task Force for the Eastern District of Tennessee in an investigation which was recognized by the National Health Care Anti-Fraud Association with its Investigation of the Year Award. That investigation involved an orthopedic surgeon who was convicted on 95 counts of health care fraud and was ordered to make restitution in excess of \$3 million to various health care programs, including TVA.



Highlights

OIG Kicks Off Fraud Risk Assessment Initiative

Pages 8-9

TVA Continues to Save Money With OIG Contract Audits

Pages 10-13

TVA Management Improves Controls

Page 15

Workers' Compensation Investigations Continue to Save TVA Money

Pages 19-21

Health Care Fraud Award

Pages 21-22

Credit Card Fraud Investigations Yield Results

Pages 22-24

OIG Kicks Off Fraud Risk Assessment Initiative

Pages 8-9

The OIG began a fraud risk assessment initiative throughout TVA to identify types of fraud that can occur, the likelihood and significance of fraud occurring, controls in place to prevent fraud, and actions needed to improve controls. This initiative, which has been strongly supported by TVA management, is consistent with requirements in the Sarbanes-Oxley Act.

Statistical Highlights October 1, 2004 ~ March 31, 2005

Audit Reports Issued	31
Questioned Costs	\$8,858,584
Funds Recovered/Disallowed	\$9,269,386
Funds Put to Better Use	\$24,306,000
Funds Realized by TVA	\$7,886,000
Investigations Opened	84
Investigations Closed	103
Fines/Recoveries/Restitution/Savings	\$1,798,264
Criminal Actions	7
Administrative Actions (No. of Subjects)	16
Inspections Completed	14

TVA Continues to Save Money With OIG Contract Audits

Pages 10-13

We identified over \$33 million in potential savings opportunities during our contract audits. TVA management generally agreed with our findings and implemented our suggestions. Management actions included negotiating \$7.9 million in savings from our preawards, and recovering or disallowing \$9.2 in questioned costs.



Credit Card Fraud Investigations Yield Results

Pages 22-24

Charges to TVA credit cards during FY 2004 exceeded \$90 million. While the best defense against credit card fraud is management review of transactions, we adopted a program to look for abuses and anomalies to provide additional oversight. During this reporting period, two former employees were indicted for misusing TVA credit cards, and management took action to correct internal control weaknesses which allowed these charged frauds to occur.



TVA Management Improves Controls

Page 15

Our financial, performance, and IT reviews identified numerous areas where TVA controls were working effectively. We also identified areas for potential improvement in various areas, including IT security, invoice payment, convenience check processing, and coal vendor defaults. TVA management generally adopted our suggestions for improvement.

